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Chairman: Mr. Elkhuizen (Vice-Chairman) ..... (Netherlands)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Mselle

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In the absence of Mr. Kmoníček (Czech Republic), Mr. Elkhuizen (Netherlands) took the Chair.

The meeting was called to order at 3.10 p.m.

Agenda item 123: Improving the financial situation of the United Nations

1. **Ms. Bertini** (Under-Secretary-General for Management) said that historically the financial health of the Organization had been measured by three baselines: unpaid assessments, cash on hand and debt owed to Member States. Underlying these elements were the adequacy of annual assessment levels and of actual payments made. At 30 September 2003, aggregate assessment levels, which comprised amounts applicable to the regular budget, the International Criminal Tribunals for Rwanda and the Former Yugoslavia, peacekeeping operations and the capital master plan had risen to $3.9 billion and could surpass $4 billion if additional peacekeeping assessments were approved for peacekeeping in Liberia.

2. With respect to the regular budget, assessments for 2003 stood at $1,409 million. As at 21 October 2003, 28 Member States had made no payments, 44 had made partial payments and only 119 had paid their assessments in full. Although the year-end figure would be higher in 2003 than in 2002, when only 117 Member States had paid their assessments in full, it would be difficult to reach the levels achieved in 2000 and 2001. The situation had not improved with respect to amounts outstanding: as at 30 September, three of the 15 major contributors (the United States of America, Brazil and Japan) had owed a total of $581 million and 75 others had owed a total of $112 million. Unpaid regular budget assessments had amounted to $693 million. That situation undermined the financial stability of the Organization; Member States should therefore pay their assessments in full and on time in order to provide the Organization with the resource base it needed to carry out its work. The Secretary-General thanked those Member States that had honoured their obligations during the current year and hoped that the remaining States would follow suit.

3. Amounts outstanding were mirrored in the Organization's cash flow projections. The current situation in cash availability under the regular budget and related reserve accounts had become critical. It was estimated that it might be necessary to borrow $125 million from peacekeeping accounts to finance the regular budget by the end of November 2003. That situation was not expected to improve until some expected payments were received. The United States of America had announced that, before the end of the year, it would make regular budget payments of between $233 million and $341 million (it had already made a contribution of $31 million to the regular budget earlier in 2003). The financial position of the Organization at 31 December 2003 would depend on the amount the United States Congress finally decided to pay: if the lower amount was paid, the regular budget would have a negative balance of $5 million; in the case of the higher amount, the cash balance would be a positive $103 million.

4. The situation with respect to the International Tribunals was more worrying. Most Member States had not paid their 2003 assessments in full: as at 30 September 2003, 116 Member States had made no payments, while 15 had made only partial payments; only 60 Member States had paid their 2003 assessments in full for both Tribunals. The amounts unpaid at 30 September 2003 had reached a level of $117 million, compared with the $49 million unpaid at the same time in 2002. Never in the history of the Tribunals had the level of unpaid assessments been so high. Five of the 15 major contributors (Japan, United States of America, Brazil, Russian Federation and Spain) had owed a total of $102 million and 126 others had owed $15 million. In the light of that situation, one had reason to wonder whether Member States really supported the existence of those bodies. The Tribunals had had a negative cash position in January, July, August, September and October 2003, and that situation was expected to prevail until the end of the year. The cash balance at the end of October was forecast to fall to a negative $41 million and to end the year with a shortfall of $29 million, which varied significantly from the earlier forecast (a positive $2 million). The persistence of shortfalls highlighted the fragile financial position of the Tribunals and the need to borrow substantially from peacekeeping operations. The financial health of the Tribunals, which was so important for stable operations, could only be restored if Member States paid their contributions in full and on time.

5. As for the capital master plan, the General Assembly had approved an appropriation of $25.5 million in 2003. As at 30 September 2003, a total of $15 million had been received from 61 Member States,

but 127 Member States had made no payment whatsoever. Since then, five additional payments had come in, bringing the total number of fully paid-up Member States to 66 at 21 October 2003.

6. The situation with regard to peacekeeping operations seemed to have improved. By the end of September 2003, outstanding assessments had totalled $1,559 million compared with the $1,776 million unpaid at 30 September 2002. On 20 October 2003, the United States had paid $252 million of the $732 million it owed. The other 14 major contributors had owed $464 million and the remaining Member States $363 million. Hence, at 21 October 2003, the total outstanding amount had been $1,307 million. The trend was therefore positive, especially bearing in mind the fact that, in 2003, the peacekeeping appropriation had been higher.

7. Projections suggested that peacekeeping cash at 31 December 2003 would work out at some $1.2 billion, although not all of that amount could be used to cover shortfalls in the regular budget and the budgets of the International Tribunals. Cash for active missions could not be cross-borrowed and cash from the reserve fund could be used only for mission start-ups or missions that were expanding. For that reason, the only source of funds was closed peacekeeping missions, and cash from that quarter was decreasing. In June 2003, $84 million had been returned to Member States and if, as planned, a further $84 million was handed back in March 2004, it would be impossible to cover the shortfalls in the regular budget and the budgets of the Tribunals.

8. To put it another way, the $831 million required for operating costs would have to be taken out of the $1.2 billion expected to be available at the end of 2003 for peacekeeping operations. An amount of $240 million was available in the closed missions, to which the Tribunals owed $41 million, and an amount of $86 million was available in the peacekeeping reserve. Nevertheless, that fund had been dipped into twice in the previous six months to fund the start-up of two missions. Peacekeeping operations evolved very fast and, when that happened, the Organization had to be able to respond immediately.

9. It was forecast that, at the end of 2003, amounts in the closed missions would reach $240 million but, in view of the repayment due in March 2004 and of missions' liabilities, which amounted to $114 million, only $42 million would be left to cover any shortfalls which might arise in 2004 under the regular budget and in respect of the Tribunals. In 2003, a total of $187 million would be borrowed from the closed missions and so that cushion would obviously be insufficient if Member States maintained the same rhythm of payments. The Organization was clearly skating on thin ice: not only could it ill afford to pay $84 million in March 2004, but the funding of mandated operations was contingent upon a marked improvement in receipts for the Tribunals and the regular budget.

10. In spite of everything, the Organization was pressing ahead with the Secretary-General's plan to keep as up to date as possible with reimbursements to the Member States which supplied troops and equipment. At 1 January 2003, Member States were owed $703 million and new obligations in 2003 were expected to stand at $694 million. According to forecasts, that figure would be lower than payments to Member States, which worked out at $832 million. Hence current estimates put the debt at 31 December at $565 million, compared with the $495 million forecast in May. Although that figure was higher than had been hoped, it represented considerable progress over the situation in the recent past.

11. Admittedly, the delay in the repayment of the sums due to Member States was unacceptable, yet some headway had been made in that respect. Equipment debt was only nine months in arrears, against one year in December 2002, and for several missions payment of troop debt was only three months behind, whereas it had been six months behind in December 2002. Two problems still existed, however: cash shortages in some ongoing missions, such as the United Nations Interim Administration Mission in Kosovo, the United Nations Mission for the Referendum in Western Sahara and the United Nations Peacekeeping Force in Cyprus; and the delay in signing memorandums of understanding which affected the United Nations Organization Mission in the Democratic Republic of the Congo, the United Nations Mission in Sierra Leone and the United Nations Mission In Ethiopia and Eritrea. It was to be hoped that the Governments and the Department of Peacekeeping Operations would sign the requisite agreements and that the problem would soon be resolved.

12. Lastly, she thanked the countries which, at 30 September 2003, had paid their assessments on time and in full, including those for peacekeeping

operations issued before 30 September 2003: Australia, Canada, the Democratic People's Republic of Korea, Germany, Kuwait, Monaco, New Zealand, Norway, Slovakia, South Africa, Sweden, Switzerland and the United Kingdom. She conveyed to them the Secretary-General's appreciation and commendation and urged the other Member States to honour their financial obligations.

The meeting rose at 3.55 p.m.